

PRINCIPAL AMOUNT: \$

LOAN NUMBER:

PROJECT TERM:

ENERGY CONSERVATION ASST. ACCOUNT LOAN AGREEMENT

THIS AGREEMENT IS EFFECTIVE AS OF THE DATE BOTH PARTIES HAVE SIGNED THIS AGREEMENT, IN THE STATE OF CALIFORNIA, BY AND BETWEEN THE STATE OF CALIFORNIA, CALIFORNIA ENERGY COMMISSION, 1516 NINTH STREET, SACRAMENTO, CA 95814, HEREINAFTER "COMMISSION," AND HEREINAFTER "BORROWER."

1. AUTHORITY

- A. PURSUANT TO THE PURPOSES AUTHORIZED BY SECTION 25410, ET SEQ, OF THE CALIFORNIA PUBLIC RESOURCES CODE, THE COMMISSION HAS APPROVED BORROWER'S LOAN APPLICATION DATED _____, WHICH IS NOT ATTACHED BUT IS EXPRESSLY INCORPORATED BY REFERENCE HEREIN.
- B. SUBJECT TO THE TERMS, COVENANTS, AND CONDITIONS CONTAINED HEREIN, AND THE ATTACHED BUDGET DETAIL TO THE EXTENT IT MODIFIES BORROWER'S LOAN APPLICATION, THE COMMISSION SHALL MAKE A LOAN TO BORROWER IN THE AMOUNT OF BILLION DOLLARS EVIDENCED BY A PROMISSORY NOTE FOR LOAN NUMBER ATTACHED HERETO AS EXHIBIT A.

2. GENERAL TERMS

- A. THE BORROWER AGREES TO INDEMNIFY, DEFEND, AND SAVE HARMLESS THE STATE, ITS OFFICERS, AGENTS, AND EMPLOYEES FROM ANY AND ALL CLAIMS AND LOSSES ACCRUING OR RESULTING TO BORROWER AND TO ANY AND ALL CONTRACTORS, SUBCONTRACTORS, MATERIALMEN, LABORERS, AND ANY OTHER PERSON, FIRM, OR CORPORATION FURNISHING OR SUPPLYING WORK, SERVICES, MATERIALS, OR SUPPLIES IN CONNECTION WITH THE PERFORMANCE OF THIS AGREEMENT, AND FROM ANY AND ALL CLAIMS AND LOSSES ACCRUING OR RESULTING TO ANY PERSON, FIRM, OR CORPORATION

WHO MAY BE INJURED OR DAMAGED BY THE BORROWER IN THE PERFORMANCE OF THIS CONTRACT.

- B. THE BORROWER, AND THE AGENTS AND EMPLOYEES OF BORROWER, IN THE PERFORMANCE OF THIS AGREEMENT, SHALL ACT IN AN INDEPENDENT CAPACITY AND NOT AS OFFICERS OR EMPLOYEES OR AGENTS OF THE STATE OF CALIFORNIA.
- C. WITHOUT THE WRITTEN CONSENT OF THE COMMISSION, THIS AGREEMENT IS NOT ASSIGNABLE OR TRANSFERABLE BY BORROWER EITHER IN WHOLE OR IN PART.
- D. TIME IS OF THE ESSENCE IN THIS AGREEMENT. BORROWER IS REQUIRED TO TAKE TIMELY ACTIONS WHICH, TAKEN COLLECTIVELY, MOVE TO COMPLETION OF THE PURPOSE FOR WHICH THIS LOAN WAS AWARDED. THE COMMISSION PROJECT MANAGER WILL PERIODICALLY EVALUATE THE PROGRESS TOWARD COMPLETION. IF THE COMMISSION PROJECT MANAGER DETERMINES THAT THE LOAN RECIPIENT IS NOT PROGRESSING TOWARD COMPLETION WITHIN TWO (2) YEARS OF THE DATE THE LOAN DOCUMENTS WERE SIGNED BY THE COMMISSION, THE COMMISSION PROJECT MANAGER MAY, WITHOUT PENALTIES OR PREJUDICE TO ANY OF THE COMMISSION'S REMEDIES, TERMINATE THIS AGREEMENT.
- E. NO ALTERATION OR VARIATION OF THE TERMS OF THIS AGREEMENT SHALL BE VALID UNLESS MADE IN WRITING AND SIGNED BY THE PARTIES HERETO, AND NO ORAL UNDERSTANDING OR AGREEMENT NOT INCORPORATED HEREIN, SHALL BE BINDING ON ANY OF THE PARTIES HERETO.

3. PURPOSE

THE BORROWER AGREES TO EXPEND ALL FUNDS ADVANCED PURSUANT TO THIS AGREEMENT ONLY FOR THE PURPOSES AND IN THE AMOUNTS SET FORTH IN THE ATTACHED BUDGET DETAIL. IN THE EVENT THE COMMISSION DETERMINES THAT FUNDS HAVE BEEN EXPENDED WITHOUT PRIOR WRITTEN APPROVAL BY THE COMMISSION FOR PURPOSES OTHER THAN THOSE SPECIFIED, THE FULL AMOUNT OF THE LOAN, INCLUDING PRINCIPAL AND INTEREST, SHALL BE IMMEDIATELY DUE AND PAYABLE.

4. LOAN DISBURSEMENT SCHEDULE

- A. THE COMMISSION AGREES TO DISBURSE FUNDS TO THE BORROWER UPON THE PROPER EXECUTION OF THE ATTACHED PROMISSORY NOTE AND ANY APPROPRIATE SECURITY INSTRUMENTS, AND REQUIRED SUPPLEMENTAL DOCUMENTS, INCLUDING INVOICES AS REQUIRED IN PARAGRAPH C.
- B. THIS PARAGRAPH APPLIES ONLY TO BORROWERS WHO HAVE RECEIVED TECHNICAL ASSISTANCE OR A FEASIBILITY STUDY BY A CONSULTANT UNDER CONTRACT TO THE COMMISSION AND ARE FINANCING THE TECHNICAL ASSISTANCE OR STUDY REIMBURSEMENT THROUGH THIS LOAN. THE COMMISSION WILL REIMBURSE ITSELF FROM THE BORROWER'S LOAN PROCEEDS FOR THE TECHNICAL ASSISTANCE OR FEASIBILITY STUDY COST WHICH WAS PROVIDED IN ACCORDANCE WITH THE ENERGY PARTNERSHIP PROGRAM SERVICES AGREEMENT, DATED _____. SUCH REIMBURSEMENT WILL OCCUR ON THE DATE THE COMMISSION EXECUTES THIS LOAN AGREEMENT AND WILL BE EQUAL TO \$ _____.
- C. EXCEPT FOR THE TECHNICAL ASSISTANCE OR FEASIBILITY STUDY COST INDICATED IN B., LOAN FUNDS SHALL BE DISBURSED ON A REIMBURSEMENT BASIS BASED ON INVOICES SUBMITTED BY BORROWER IN A FORM APPROVED BY THE COMMISSION. BILLINGS MUST BE PROVIDED TO SUBSTANTIATE THE REQUEST. COMMISSION STAFF WILL APPROVE INVOICES ONLY AFTER VERIFYING REQUESTED AMOUNTS AGAINST BACKUP BILLINGS AND DETERMINING EXPENSES ARE APPROPRIATE AND USED FOR THE PURPOSE OF THE LOAN.
- D. TEN PERCENT (10%) OF THE LOAN AMOUNT WILL BE WITHHELD AS RETENTION UNTIL THE FINAL REPORT IS RECEIVED AND THE COMMISSION'S PROJECT MANAGER DETERMINES THE PROJECT HAS BEEN SATISFACTORILY COMPLETED.
- E. AN ADVANCE OF UP TO TEN PERCENT (10%) OF THE LOAN BALANCE (AFTER COMMISSION REIMBURSEMENT FOR THE TECHNICAL ASSISTANCE OR FEASIBILITY STUDY COST, IF APPLICABLE) MAY BE REQUESTED AT THE START OF THE PROJECT. SUBSEQUENT ADVANCES MAY BE ALLOWED WHEN RECEIPT OF FUNDS ON A REIMBURSEMENT BASIS PRESENTS AN UNDUE HARDSHIP TO THE BORROWER.

5. INTEREST

THE LOAN HEREIN SHALL BEAR SIMPLE INTEREST AT THE ANNUAL RATE SET FORTH IN THE ATTACHED PROMISSORY NOTE ON THE PRINCIPAL BALANCE OF LOAN FUNDS DISBURSED TO THE BORROWER. PAYMENT OF SAID INTEREST SHALL BE DUE AT THE TIME OF REPAYMENT OF THE LOAN TO THE COMMISSION, AND INTEREST SHALL ACCRUE FROM THE TIME OF DISBURSAL OF FUNDS TO THE BORROWER UNTIL RECEIPT OF FULL REPAYMENT BY THE COMMISSION. INTEREST ON COMMISSION REIMBURSEMENT FOR TECHNICAL ASSISTANCE OR THE FEASIBILITY STUDY, IF APPLICABLE, SHALL ACCRUE FROM THE DATE THE COMMISSION EXECUTES THIS LOAN AGREEMENT UNTIL RECEIPT OF FULL REPAYMENT BY THE COMMISSION.

6. TERM

- A. THE EFFECTIVE DATE OF THIS AGREEMENT SHALL BE THE LAST DATE OF EXECUTION.
- B. THE BORROWER AGREES TO COMPLETE PERFORMANCE OF ITS OBLIGATIONS UNDER THIS AGREEMENT WITHIN THE PERIOD STATED IN THIS AGREEMENT.

7. REPAYMENT

ALL FUNDS ADVANCED HEREUNDER, TOGETHER WITH ALL INTEREST PAYABLE THEREON, SHALL BE REPAYED TO THE COMMISSION IN ACCORDANCE WITH THE TERMS OF THE PROMISSORY NOTE.

8. PREPAYMENT

BORROWER SHALL HAVE THE RIGHT TO PREPAY ALL OR ANY PART OF THE AMOUNT OF THIS LOAN AT ANY TIME WITHOUT PENALTY.

9. PROMISSORY NOTE

IN ORDER TO EVIDENCE ITS DEBT TO THE COMMISSION HEREUNDER, THE BORROWER AGREES TO, CONTEMPORANEOUSLY WITH THE EXECUTION OF THIS AGREEMENT, EXECUTE AND DELIVER TO THE COMMISSION A PROMISSORY NOTE.

10. SECURITY (APPLIES ONLY TO NONGOVERNMENTAL BORROWERS)

- A. NONGOVERNMENTAL BORROWERS WITH A LOAN OF TWENTY-FIVE THOUSAND DOLLARS (\$25,000.00) OR MORE MUST MEET FINANCIAL REQUIREMENTS AS SPECIFIED IN THE LOAN APPLICATION PACKAGE. FOR THOSE BORROWERS THAT DO NOT MEET THE FINANCIAL REQUIREMENTS, THE COMMISSION WILL REQUIRE SECURITY FOR A LOAN OF TWENTY-FIVE THOUSAND DOLLARS (\$25,000.00) OR MORE. THE COMMISSION WILL REQUIRE EITHER: (1) AN IRREVOCABLE LETTER OF CREDIT OR (2) A DEED OF TRUST ON THE PROPERTY TO BE IMPROVED UNDER THE TERMS OF THIS AGREEMENT TO SECURE THE ATTACHED PROMISSORY NOTE, WITH SAID DEED OF TRUST NAMING THE STATE OF CALIFORNIA, CALIFORNIA ENERGY COMMISSION, AS BENEFICIARY. BORROWER SHALL ALSO OBTAIN AND DELIVER A STANDARD CLTA TITLE INSURANCE POLICY FOR THE SECURED PROPERTY, INSURING THE COMMISSION'S INTEREST AS LENDER, AND A CURRENT MARKET VALUE APPRAISAL OF SAID PROPERTY WITH VALUES SUPPORTED BY AVAILABLE MARKET DATA WHICH HAS BEEN PREPARED BY A LICENSED APPRAISER.
- B. FOR ALL NONGOVERNMENTAL LOANS SECURED BY A DEED OF TRUST, THE BORROWER AGREES THAT IN THE EVENT IT SELLS, TRANSFERS, MORTGAGES, DISPOSES OF, OR FURTHER ENCUMBERS THE SAID PROPERTY, OR ANY PART THEREOF, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSION, THEN THE COMMISSION SHALL HAVE THE RIGHT, AT ITS OPTION, TO DECLARE THE ENTIRE BALANCE OF THE UNPAID PRINCIPAL WITH UNPAID INTEREST DUE THEREON, IMMEDIATELY DUE AND PAYABLE. CONSENT TO ONE SUCH TRANSACTION SHALL NOT BE DEEMED TO BE A WAIVER OF THE RIGHT TO REQUIRE CONSENT TO FUTURE OR SUCCESSIVE TRANSACTIONS.

11. ACCOUNTS

- A. IF REQUESTED BY THE COMMISSION, THE BORROWER AGREES TO DEPOSIT ALL FUNDS RECEIVED UNDER THIS AGREEMENT IN A SEGREGATED ACCOUNT IN AN INSTITUTION WHOSE DEPOSITS ARE INSURED BY THE FEDERAL OR THE STATE GOVERNMENT.
- B. THE BORROWER FURTHER AGREES TO ESTABLISH ON ITS BOOKS A SEPARATE ACCOUNT FOR THIS LOAN. THIS ACCOUNT SHALL BE MAINTAINED AS LONG AS THE LOAN OBLIGATION REMAINS UNSATISFIED.

- C. THE BORROWER FURTHER AGREES TO MAINTAIN RECORDS THAT ACCURATELY AND FULLY SHOW THE DATE, AMOUNT, PURPOSE, AND PAYEE OF ALL EXPENDITURES DRAWN ON SAID ACCOUNT.
- D. THE BORROWER FURTHER AGREES TO UTILIZE A VOUCHER SYSTEM BY WHICH ALL EXPENDITURES FROM SAID ACCOUNT WILL BE AUTHORIZED AND AUTHENTICATED.
- E. THE BORROWER FURTHER AGREES TO ALLOW THE COMMISSION OR ANY OTHER AGENCY OF THE STATE OR THE FEDERAL GOVERNMENT, ON WRITTEN REQUEST, TO HAVE REASONABLE ACCESS TO, AND THE RIGHT OF INSPECTION OF, ALL RECORDS THAT PERTAIN TO SAID ACCOUNT. THE BORROWER ALSO AGREES TO SUBMIT TO AN INDEPENDENT AUDIT, IF REQUESTED BY THE COMMISSION, AT THE EXPENSE OF THE BORROWER.
- F. THE BORROWER FURTHER AGREES TO MAINTAIN RECORDS FOR THREE (3) YEARS FOLLOWING PROJECT COMPLETION SHOWING THE COST OF THE ENERGY SAVED AS A RESULT OF IMPLEMENTING THE PROJECT FUNDED IN WHOLE OR IN PART BY THIS LOAN. FOR EACH OF THE THREE (3) YEARS FOLLOWING PROJECT COMPLETION, BORROWER SHALL COMPUTE THE COST OF THE ENERGY SAVED BY IMPLEMENTING THE PROJECT FUNDED IN WHOLE OR IN PART BY THIS LOAN AND SHALL SUBMIT ANNUAL REPORTS TO THE COMMISSION.
- G. ALL INVOICES MUST BE SUBMITTED WITHIN SIXTY (60) DAYS OF PROJECT COMPLETION.

12. BUDGET

- A. SEMIANNUAL PAYMENTS DUE TO THE COMMISSION UNDER THIS AGREEMENT SHALL BE MADE FROM SAVINGS IN ENERGY COSTS OR OTHER AVAILABLE FUNDS AS THE BORROWER CHOOSES. IF BORROWER IS A COUNTY, CITY, TOWN, TOWNSHIP, BOARD OF EDUCATION, OR SCHOOL DISTRICT, BORROWER AGREES THAT THE AMOUNT OF THE SEMIANNUAL LOAN REPAYMENT SHALL NOT BE RAISED BY THE LEVY OF ADDITIONAL TAXES AND SHALL NOT BE A CHARGE AGAINST BORROWER'S GENERAL FUND, BUT SHALL BE OBTAINED EITHER FROM ACTUAL SAVINGS IN ENERGY COSTS RESULTING FROM THE SUBJECT ENERGY CONSERVATION PROJECTS OR OTHER AVAILABLE FUNDS AS THE BORROWER CHOOSES.

B. ENERGY COST SAVINGS CALCULATIONS ARE BASED ON ENERGY USAGE AND SERVING UTILITY RATES AT THE TIME OF THE ISSUANCE OF THIS LOAN. CHANGES IN ENERGY USE AND RATE REDUCTIONS WHICH OCCUR AFTER ISSUANCE OF THE LOAN WILL NOT AFFECT THE CALCULATED ENERGY SAVINGS. THEREFORE, ALL FUNDS ADVANCED HEREUNDER, TOGETHER WITH ALL INTEREST PAYABLE THEREON, SHALL BE REPAID TO THE COMMISSION IN FULL AND SHALL NOT BE FORGIVEN DUE TO A CHANGE IN BORROWER'S ENERGY USE OR A REDUCTION IN BORROWER'S ENERGY UTILITY RATES.

13. DEFAULT

A. IN THE EVENT THE BORROWER, FOR ANY REASON, IS UNABLE TO PROCEED WITH THE PURPOSE OF THIS AGREEMENT, THE COMMISSION MAY DECLARE THIS AGREEMENT TO HAVE BEEN BREACHED AND BE RELEASED FROM ANY FURTHER PERFORMANCE HEREUNDER.

B. IN THE EVENT OF ANY DEFAULT OR BREACH OF THE AGREEMENT BY THE BORROWER, THE COMMISSION, WITHOUT LIMITING ANY OF ITS OTHER LEGAL RIGHTS OR REMEDIES, MAY DECLARE THE PROMISSORY NOTE EVIDENCING THE LOAN TO BE IMMEDIATELY DUE AND PAYABLE.

14. REPORTING

- A. PROGRESS REPORTS ARE DUE SEMIANNUALLY UNTIL PROJECT COMPLETION. REPORTS ARE DUE JANUARY 31 (FOR THE JULY 1 - DECEMBER 31 PERIOD) AND JULY 1 (FOR THE JANUARY 1 - JUNE 30 PERIOD).
- B. A FINAL REPORT IS DUE NO LATER THAN 60 DAYS AFTER PROJECT COMPLETION.
- C. A PROGRESS REPORT MUST BE SUBMITTED WITH EACH REQUEST (INVOICE) FOR LOAN FUNDS.
- D. IF REQUESTED BY THE COMMISSION, BORROWER SHALL SUBMIT, WITHIN TEN (10) DAYS OF THE COMMISSION'S WRITTEN REQUEST, A STATUS REPORT ON ITS ACTIVITIES TO DATE, PURSUANT TO THIS AGREEMENT.
- E. REPORTS SHALL BE IN A FORMAT AS DETERMINED BY THE COMMISSION.

15. NONDISCRIMINATION

- A. DURING THE PERFORMANCE OF THIS AGREEMENT, THE BORROWER AND ITS CONTRACTORS AND SUBCONTRACTORS SHALL NOT DENY THE AGREEMENT'S BENEFITS TO ANY PERSON ON THE BASIS OF RELIGION, COLOR, ETHNIC GROUP IDENTIFICATION, SEX, AGE, PHYSICAL OR MENTAL DISABILITY, NOR SHALL THEY DISCRIMINATE UNLAWFULLY AGAINST ANY EMPLOYEE OR APPLICANT FOR EMPLOYMENT BECAUSE OF RACE, RELIGION, COLOR, NATIONAL ORIGIN, ANCESTRY, PHYSICAL HANDICAP, MENTAL DISABILITY, MEDICAL CONDITION, MARITAL STATUS, AGE, OR SEX. THE BORROWER SHALL INSURE THAT THE EVALUATION AND TREATMENT OF EMPLOYEES AND APPLICANTS FOR EMPLOYMENT ARE FREE OF SUCH DISCRIMINATION.
- B. THE BORROWER SHALL COMPLY WITH THE PROVISIONS OF THE FAIR EMPLOYMENT AND HOUSING ACT (GOVERNMENT CODE, SECTION 12900 ET SEQ.), THE REGULATIONS PROMULGATED THEREUNDER (CALIFORNIA CODE OF REGULATIONS, TITLE 2, SECTION 7285.0 ET SEQ.), THE PROVISIONS OF ARTICLE 9.5, CHAPTER 1, PART 1, DIVISION 3, TITLE 2, OF THE GOVERNMENT CODE (GOVERNMENT CODE, SECTIONS 11135 - 11139.5), AND THE REGULATIONS OR STANDARDS ADOPTED BY THE AWARDING STATE AGENCY TO IMPLEMENT SUCH ARTICLE.

C. THE BORROWER AND ITS CONTRACTORS AND SUBCONTRACTORS SHALL GIVE WRITTEN NOTICE OF THEIR OBLIGATIONS UNDER THIS CLAUSE TO LABOR ORGANIZATIONS WITH WHICH THEY HAVE A COLLECTIVE BARGAINING OR OTHER AGREEMENT.

D. THE BORROWER SHALL INCLUDE THE NONDISCRIMINATION AND COMPLIANCE PROVISIONS OF THIS CLAUSE IN ALL CONTRACTS AND SUBCONTRACTS TO PERFORM WORK UNDER THIS AGREEMENT.

IN WITNESS WHEREOF, THIS AGREEMENT HAS BEEN EXECUTED BY THE PARTIES HERETO.

STATE OF CALIFORNIA -
CALIFORNIA ENERGY COMMISSION

BORROWER (IF OTHER THAN AN
INDIVIDUAL, STATE WHETHER A
CORPORATION, PARTNERSHIP, ETC.)

BY (AUTHORIZED SIGNATURE)

BY (AUTHORIZED SIGNATURE)

CHIEF, FISCAL MANAGEMENT BRANCH

TITLE

TITLE

DATE

DATE

MAIL ADDRESS:

AMOUNT ENCUMBERED

FISCAL YEAR: FUND

LOAN NO.

APPROPRIATION ORG

LINE ITEM

APPROPRIATION AUG

LINE ITEM
ALLOTMENT

I HEREBY CERTIFY UPON MY OWN PERSONAL KNOWLEDGE THAT BUDGETED FUNDS ARE AVAILABLE FOR THE PERIOD AND PURPOSE OF THE EXPENDITURE STATED ABOVE.

SIGNATURE OF ACCOUNTING OFFICER

DATE

EXHIBIT A

PROMISSORY NOTE

PRINCIPAL AMOUNT: \$

LOAN NUMBER:

1. FOR VALUE RECEIVED, THE UNDERSIGNED, (HEREINAFTER REFERRED TO AS THE "BORROWER"), PROMISES TO PAY TO THE ORDER OF THE STATE OF CALIFORNIA, CALIFORNIA ENERGY COMMISSION (HEREINAFTER REFERRED TO AS THE "COMMISSION"), AT ITS PRINCIPAL PLACE OF BUSINESS AT 1516 NINTH STREET, SACRAMENTO, CALIFORNIA 95814, OR AT SUCH OTHER PLACE AS THE COMMISSION MAY DESIGNATE, THE PRINCIPAL SUM OF BILLION DOLLARS OR SUCH LESSER AMOUNT AS SHALL EQUAL THE AGGREGATE AMOUNT DISBURSED TO THE BORROWER BY THE COMMISSION PLUS THE AMOUNT OF COMMISSION REIMBURSEMENT FOR TECHNICAL ASSISTANCE OR FEASIBILITY STUDY COST, IF APPLICABLE, TOGETHER WITH INTEREST ON THE UNPAID PRINCIPAL COMPUTED FROM THE DATE OF EACH DISBURSEMENT TO THE BORROWER UNTIL REPAID BY THE BORROWER AT THE INTEREST RATE OF PERCENT PER ANNUM. PRINCIPAL AND INTEREST IS DUE AND PAYABLE IN SEMIANNUAL INSTALLMENTS, BEGINNING ON OR BEFORE DECEMBER 22 OF THE FISCAL YEAR FOLLOWING THE YEAR IN WHICH THE PROJECT IS COMPLETED AND CONTINUING THEREAFTER UNTIL SAID PRINCIPAL AND INTEREST HAVE BEEN PAID IN FULL.
2. PAYMENT OF ANY SCHEDULED INSTALLMENT RECEIVED WITHIN THIRTY (30) DAYS AFTER ITS DUE DATE SHALL BE CONSIDERED TO HAVE BEEN RECEIVED ON ITS DUE DATE AND SHALL BE FIRST APPLIED TO ACCRUED INTEREST FROM THE DATE OF DISBURSAL TO THE BORROWER AND THE BALANCE, IF ANY, TO PRINCIPAL. PAYMENT OF ANY SCHEDULED INSTALLMENT RECEIVED MORE THAN THIRTY (30) DAYS AFTER ITS DUE DATE BUT BEFORE THE NEXT BILLING SHALL BE CONSIDERED LATE, AND INTEREST ON THE UNPAID PRINCIPAL SHALL ACCRUE FROM DATE OF DISBURSAL TO THE BORROWER THROUGH THE ACTUAL PAYMENT DATE. HOWEVER, PAYMENT OF ANY SCHEDULED INSTALLMENT RECEIVED AFTER A SUBSEQUENT BILLING SHALL BE CONSIDERED OVERDUE, AND INTEREST SHALL ACCRUE ON THE UNPAID PRINCIPAL FROM DATE OF DISBURSAL TO THE BORROWER THROUGH THE SUBSEQUENT BILLING DUE DATE OR ACTUAL PAYMENT DATE, WHICHEVER IS LATER. THE BORROWER MAY PREPAY THIS NOTE IN FULL OR IN PART, WITHOUT

PENALTY, BUT ANY SUCH PREPAYMENT SHALL BE FIRST APPLIED TO PRINCIPAL AND THE BALANCE, IF ANY, TO ACCRUED INTEREST.

3. IF ANY INSTALLMENT IS NOT PAID WITHIN THIRTY (30) DAYS AFTER ITS DUE DATE, THE COMMISSION, AT ITS OPTION, MAY REQUIRE THE BORROWER TO PAY A LATE CHARGE EQUAL TO FIVE PERCENT (5%) OF THE AMOUNT OF THE INSTALLMENT OR FIVE DOLLARS (\$5.00), WHICHEVER IS GREATER.
4. ON THE OCCURRENCE OF ANY EVENT OF DEFAULT, THE COMMISSION, AT ITS SOLE ELECTION, MAY DECLARE ALL OR ANY PORTION OF THE PRINCIPAL AND ACCRUED INTEREST ON THIS NOTE TO BE IMMEDIATELY DUE AND PAYABLE AND MAY PROCEED AT ONCE WITHOUT FURTHER NOTICE TO ENFORCE THIS NOTE ACCORDING TO LAW.
5. EACH OF THE FOLLOWING OCCURRENCES SHALL CONSTITUTE AN EVENT OF DEFAULT:
 - A. FAILURE OF THE BORROWER TO REPAY ANY PRINCIPAL OR INTEREST WHEN DUE UNDER THE TERMS OF THIS NOTE;
 - B. TERMINATION OF SAID LOAN AGREEMENT PURSUANT TO THE TERMS THEREOF OR BREACH BY THE BORROWER OF ANY TERMS OF SAID LOAN AGREEMENT;
 - C. FAILURE OF THE BORROWER TO UNDERTAKE IN A TIMELY WAY THE EXPRESS AND IMPLIED ACTIVITIES FOR WHICH SAID LOAN AGREEMENT HAS BEEN EXECUTED;
 - D. FAILURE OF THE BORROWER TO OBTAIN PRIOR WRITTEN COMMISSION APPROVAL BEFORE UNDERTAKING A CHANGE IN THE SCOPE OF THE ACTIVITIES FOR WHICH SAID LOAN AGREEMENT HAS BEEN EXECUTED; OR
 - E. OCCURRENCE OF (1) THE BORROWER BECOMING INSOLVENT OR BANKRUPT OR BEING UNABLE OR ADMITTING IN WRITING ITS INABILITY TO PAY ITS DEBTS AS THEY MATURE OR MAKING A GENERAL ASSIGNMENT FOR THE BENEFIT OF OR ENTERING INTO ANY COMPOSITION OR ARRANGEMENT WITH CREDITORS; (2) PROCEEDINGS FOR THE APPOINTMENT OF A RECEIVER, TRUSTEE, OR LIQUIDATOR OF THE ASSETS OF THE BORROWER OR A SUBSTANTIAL PART THEREOF, BEING AUTHORIZED OR INSTITUTED BY OR AGAINST THE BORROWER; OR (3) PROCEEDINGS UNDER ANY BANKRUPTCY, REORGANIZATION,

READJUSTMENT OF DEBT, INSOLVENCY, DISSOLUTION,
LIQUIDATION OR OTHER SIMILAR LAW, OR ANY JURISDICTION BEING
AUTHORIZED OR INSTITUTED AGAINST THE BORROWER.

6. NO DELAY OR FAILURE OF THE COMMISSION IN THE EXERCISE OF ANY RIGHT OR REMEDY HEREUNDER OR UNDER ANY OTHER AGREEMENT, WHICH SECURES OR IS RELATED HERETO, SHALL AFFECT ANY SUCH RIGHT OR REMEDY, AND NO SINGLE OR PARTIAL EXERCISE OF ANY SUCH RIGHT OR REMEDY SHALL PRECLUDE ANY FURTHER EXERCISE THEREOF, AND NO ACTION TAKEN OR OMITTED BY THE COMMISSION SHALL BE DEEMED A WAIVER OF ANY SUCH RIGHT OR REMEDY.
7. ANY NOTICE TO THE BORROWER PROVIDED FOR IN THIS NOTE SHALL BE GIVEN BY MAILING SUCH NOTICE BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO THE BORROWER AT THE ADDRESS STATED IN THE LOAN AGREEMENT, OR TO SUCH OTHER ADDRESS AS THE BORROWER MAY DESIGNATE BY NOTICE TO THE COMMISSION. ANY NOTICE TO THE COMMISSION SHALL BE GIVEN BY MAILING SUCH NOTICE BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO THE COMMISSION AT THE ADDRESS STATED IN THE LOAN AGREEMENT, OR AT SUCH OTHER ADDRESS AS MAY HAVE BEEN DESIGNATED BY NOTICE TO THE BORROWER.
8. IF SUIT IS BROUGHT TO COLLECT ANY PART OF THIS NOTE, THE COMMISSION SHALL BE ENTITLED TO COLLECT ALL REASONABLE COSTS AND EXPENSES OF SAID SUIT, INCLUDING REASONABLE ATTORNEY'S FEES.
9. THIS NOTE SHALL BE BINDING UPON THE BORROWER AND ITS SUCCESSORS AND ASSIGNS AND UPON THE COMMISSION AND ITS SUCCESSORS AND ASSIGNS.
10. THIS NOTE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

BORROWER

BY (AUTHORIZED SIGNATURE)

TITLE

DATE